

STATE BOARD OF ACCOUNTS
302 West Washington Street
Room E418
INDIANAPOLIS, INDIANA 46204-2765

REVIEW REPORT
OF
DEPARTMENT OF WORKFORCE DEVELOPMENT
STATE OF INDIANA
July 1, 2002 to June 30, 2004

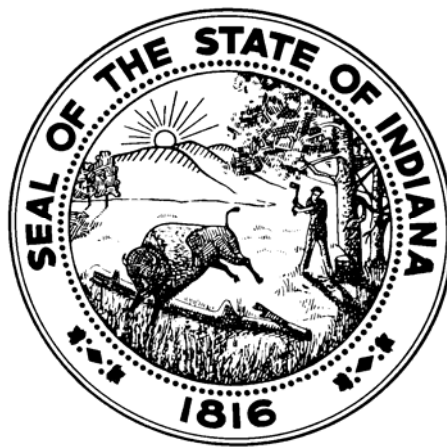


TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Agency Officials.....	2
Independent Accountant's Report.....	3
Review Comments:	
Attendance Reports	4
Daily Deposits.....	4
Internal Controls – Cash Management	4
Exit Conference.....	5
Official Response	6-9

AGENCY OFFICIALS

<u>Office</u>	<u>Official</u>	<u>Term</u>
Commissioner	Mr. Craig E. Hartzer	01-08-01 to 02-07-03
	Mr. Alan D. Degner	02-10-03 to 01-07-05
	Mr. Ronald L. Stiver	01-10-05 to 01-11-09



STATE OF INDIANA

AN EQUAL OPPORTUNITY EMPLOYER

STATE BOARD OF ACCOUNTS
302 WEST WASHINGTON STREET
ROOM E418
INDIANAPOLIS, INDIANA 46204-2765

Telephone: (317) 232-2513
Fax: (317) 232-4711
Web Site: www.in.gov/sboa

INDEPENDENT ACCOUNTANT'S REPORT

TO: THE OFFICIALS OF DEPARTMENT OF WORKFORCE DEVELOPMENT

We have reviewed the receipts, disbursements, and assets of the Department of Workforce Development for the period of July 1, 2002, to June 30, 2004. Department of Workforce Development's management is responsible for the receipts, disbursements, and assets.

Our review was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. A review is substantially less in scope than an examination, the objective of which is the expression of an opinion on the receipts, disbursements, and assets. Accordingly, we do not express such an opinion.

Financial transactions of this office are included in the scope of our audits of the State of Indiana as reflected in the Indiana Comprehensive Annual Financial Reports.

Based on our review, nothing came to our attention that caused us to believe that the receipts, disbursements, and assets of the Department of Workforce Development are not in all material respects in conformity with the criteria set forth in the Accounting and Uniform Compliance Guidelines Manual for State Agencies, and applicable laws and regulations except as stated in the review comments.

STATE BOARD OF ACCOUNTS

January 18, 2005

DEPARTMENT OF WORKFORCE DEVELOPMENT
REVIEW COMMENTS
June 30, 2004

ATTENDANCE REPORTS

We observed that employee attendance reports were frequently signed and dated prior to the last day worked. We also observed that attendance reports were approved by their supervisor before the employees' signature.

Employee attendance reports should not be signed, dated or approved prior to the last day worked in a pay period. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 9)

After being completed by the employee, the attendance report should be reviewed, signed, and dated by the immediate supervisor of the employee, or by another designated individual who has knowledge of the employee's attendance. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 9)

DAILY DEPOSITS

The Department Workforce Development's Accounts Payable division did not consistently deposit receipts received for miscellaneous revenue within the following business day. Twelve of the twenty-five deposits tested were two to five days late.

Indiana Code 5-13-6-1(b) states in part: "... all public funds ... shall be deposited with the treasurer of state, or an approved depository selected by the treasurer of state not later than the business day following the receipt of the funds."

INTERNAL CONTROLS - CASH MANAGEMENT

We noted the following concerning the controls over the drawing down of Federal funds to reimburse the Workforce Investment Boards (WIB). Twenty out of thirty draw downs tested were drawn four to twenty-five days after the funds were disbursed to the WIB's. The time between receipt and disbursement of federal funds should be minimal. Not drawing down the federal funds in a timely manner to cover the disbursements to the WIB's could result in a loss of interest revenue to the state.

Subsequent to the audit period and after discussion with the agency, their procedures were revised for drawing down federal funds and the disbursements to the WIB's.

Each agency, department, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system. (Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 1)

DEPARTMENT OF WORKFORCE DEVELOPMENT
EXIT CONFERENCE

The contents of this report were discussed on February 16, 2005, with Mr. Ronald Stiver, Commissioner; and Mr. Monty Combs, Controller. The official response has been made a part of this report and may be found on pages 6 through 9.



Mitchell E. Daniels, Jr., Governor
Ronald L. Stiver, Commissioner

10 N. Senate Avenue
Indianapolis, IN 46204-2277
Phone: 317-232-7670
FAX: 317-233-4793
TDD: 317-232-7560
<http://www.workforce.IN.gov>

An Equal Opportunity Employer

February 25, 2005

Mr. Charles Johnson, CPA
State Examiner
State Board of Accounts
302 West Washington Street
4th Floor, Room E418
Indianapolis, IN 46204

Re: **OFFICIAL REPOSE**
Audit Period: 07/01/02 through 06/30/04

Dear Mr. Johnson:

Please find attached the Department of Workforce Development's (DWD) corrective action plan for the management findings in the audit report for the period from July 1, 2002 through June 30, 2004. We believe this plan, and, specifically the actions therein, have resolved these findings. As usual, the Board of Accounts audit team performed this engagement in a professional and cooperative manner and we appreciate the assistance of your staff in completing this audit.

Please contact Monty Combs, Deputy Commissioner/Controller, at 233-1463 if you have questions about any of our planned actions. Thank you.

Sincerely,

Ronald L. Stiver
Commissioner

Attachment

RS/MC/SD

Corrective Action Plan
For Findings in the Audit Report for the period July 1, 2002 through June 30, 2004

FINDING 2004-DWD-1 Attendance Reports

Auditee Contact Person: Monty Combs
Title of Contact Person: Deputy Commissioner of Finance and Administration/Controller, DWD
Phone Number: 317-233-1463

The Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 9, states that employee attendance reports should not be signed, dated or approved prior to the last day worked in a pay period. After being completed by the employee, the attendance report should be reviewed, signed, and dated by the immediate supervisor of the employee, or by another designated individual who has knowledge of the employee's attendance.

We observed that employee attendance reports were frequently signed and dated prior to the last day worked. We also observed that attendance reports were approved by their supervisor before the employees' signature.

Corrective Action Plan:

DWD is developing procedures for payroll approval that enforce compliance with Chapter 9 of the "Accounting and Uniform Compliance Guidelines Manual for State Agencies". These procedures will include statements that payroll can not be signed prior to the last day worked for the pay period, with the exception of AOS required early submission dates. In the event that the employee is unavailable on their last day worked in the pay period, a copy of the time sheet will be submitted to payroll, with appropriate explanations. Upon their return, a time sheet with an original signature after the last day worked, will be forwarded to the payroll section. If the Supervisor is unavailable on the last day of the pay period, signature authority can be designated to another individual, as indicated in the State manual. A copy of the designation authority will need to be submitted to Human Resources Department. Effective with the pay period ending February 26, 2005, the Human Resource Department will check A4's for signatures and dates during their normal review.

Corrective Action Plan
For Findings in the Audit Report for the period July 1, 2002 through June 30, 2004
(Continued)

FINDING 2004-DWD-2 Daily Deposits

Auditee Contact Person: Monty Combs
Title of Contact Person: Deputy Commissioner of Finance and Administration/Controller, DWD
Phone Number: 317-233-1463

Indiana Code 5-13-6-1(b) states in part: "...all public funds...shall be deposited with the treasurer of state, or an approved depository selected by the treasurer of state, not later than the business day following the receipt of the funds."

The Department of Workforce Development's Accounts Payable division did not consistently deposit receipts received for miscellaneous revenue within the following business day. Twelve of the twenty-five deposits tested were two to five days late.

Corrective Action Plan:

Prior to the audit, this non-compliance with State statute was discovered and proper disciplinary action was taken against the Accountant responsible. The disciplinary action was in accordance with the State Personnel policies. Due to this infraction, we have instituted additional checks and balances to prevent future infractions, including assigning backup Accountants to cover absences by the primary Accountant.

Corrective Action Plan
For Findings in the Audit Report for the period July 1, 2002 through June 30, 2004
(Continued)

FINDING 2004-DWD-3 Internal Controls – Cash Management

Auditee Contact Person: Monty Combs
Title of Contact Person: Deputy Commissioner of Finance and Administration/Controller, DWD
Phone Number: 317-233-1463

The Accounting and Uniform Compliance Guidelines Manual for State Agencies, Chapter 9, states, "Each agency, department, institution or office should have internal controls in effect which provide reasonable assurance regarding the reliability of financial information and records, effectiveness and efficiency of operations, proper execution of management's objectives, and compliance with laws and regulations. Among other things, segregation of duties, safeguarding controls over cash and all other assets and all forms of information processing are part of an internal control system."

We noted the following concerning the controls over the drawing down of Federal funds to reimburse the Workforce Investment Boards (WIB). Twenty out of thirty draw downs tested were drawn four to twenty-five days after the funds were disbursed to the WIB's. The time between receipt and disbursement of federal funds should be minimal. Not drawing down funds in a timely manner to cover the disbursements to the WIB's could result in a loss of interest revenue to the state.

Subsequent to the audit period and after discussion with the agency, their procedures were revised for drawing down federal funds and the disbursements to the WIB's.

Corrective Action Plan:

Beginning January 18, 2005 a revised WIA cash transfer process was implemented. This implementation centers around the concept of TFFIS (Training Fund Financial Information System) request(s) for cash transfers by any of DWD's WIA grantees, generating an equal PMS (federal Payment Management System) cash request to be transmitted to the State. These PMS requests will be initiated on the same day as TFFIS requests, with noted exceptions.

Instructions have been issued to our two PMS cash managers. A monthly calendar is being used by our WIA PMS cash manager(s) to indicate WIA activity on PMS. In addition, non-PMS activity will be so noted on this calendar with their Supervisor providing monthly PMS cash activity summary report.

PMS cash requests is a strictly controlled process in which Agency personnel have limited access to PMS. We have two trained PMS cash managers who are the only members of the Finance staff who have access to PMS. The two employees have been assigned specific funds for which each has primary responsibility.